

III. ELIGIBLE ACTIVITIES

Activities authorized for the Small Cities CDBG Grant under the Housing and Community Development Act of 1974, as amended, are eligible for funding under this program. Applicants, however, will be cautioned that each proposed activity must meet National Objectives as heretofore stated. This, combined with the State commitment of 70% benefit to low and moderate income families and individuals, will result in certain activities competing more favorably for funding.

A. Eligible Activities (Section 105a of the Act)

Activities assisted may include only:

1. Acquisition of real property (including air rights, water rights, and other interests therein) which is:
 - (i) Blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth;
 - (ii) Appropriate for rehabilitation or conservation activities;
 - (iii) Appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development;
 - (iv) To be used for the provision of public works, facilities and improvements eligible for assistance under Title I of the Act; or
 - (v) to be used for other public purposes.
2. Public Facilities: The acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of public works, facilities (except for buildings for the general conduct of government), and site or other improvements.
3. Code Enforcement in deteriorated or deteriorating areas in which such enforcement, together with public or private improvements or service to be provided, may be expected to arrest the decline of the area.

4. Clearance, Demolition, Removal and Rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements including interim assistance, and financing public or private acquisition for rehabilitation, and rehabilitation, of privately owned properties, and including the renovation of closed school buildings.
5. Architectural Barrier Removal: Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons.
6. Losses of Rental Income: Payments to housing owners for losses of rental income incurred in holding for a temporary period housing units to be utilized for relocation of individuals and families displaced by activities under Title I.
7. Disposition (through sale, lease, donation or otherwise) of any real property acquired pursuant to this title or its retention for public purposes.
8. Provision of Public Services, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs, if such services have not been provided by the unit of general local government (through funds raised by such units, or received by such unit from the State) during any part of the twelve-month period immediately preceding the date of submission of the application and which are to be used for such services, unless the State finds that the discontinuation of such services was the result of event not within the control of the unit of general local government. Not more than 15 percent of the State's annual allocation under Title I including program income may be used for activities under this paragraph.
9. Payments of Non-Federal Share required in connection with a Federal grant-in-aid program undertaken as part of activities assisted under Title I.
10. Payment of the Cost of completing a project funded under Title I of the Housing Act of 1949.
11. Relocation Payments and assistance for displaced individuals, families, businesses, organization, and farm operations, when determined by the grantee to be appropriate.

12. Planning Activities: Activities necessary:

- (i) To develop a comprehensive community development plan, and
- (ii) To develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively:
 - (a) Determine its needs,
 - (b) Set long-term goals and short-term objectives,
 - (c) Devise programs and activities to meet these goals and objectives,
 - (d) Evaluate the progress of such programs in accomplishing these goals and objectives, and
 - (e) Carry out management, coordination, and monitoring of activities necessary for effective planning implementation.

13. Administrative Costs: Payment of reasonable administrative costs related to establishing and administering federal approved enterprise zones (this activity is not effective until such time as a federal enterprise zone program is implemented). Payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities, and including the carrying out of activities as described in Section 701(e) of the Housing Act of 1954 on the date prior to the date of enactment of the Housing and Community Development Amendment of 1981.

14. Provision of Assistance Including Loans/Grants: (both interim and long term) for activities which are carried out by public or private non-profit entities, including:

- (i) Acquisition of real property;
- (ii) Acquisition, construction, reconstruction, rehabilitation, or installation of:
 - (a) Public facilities (except for buildings for the general conduct of government), site improvements, and utilities;

(b) Commercial or industrial buildings or structures and other commercial or industrial real property improvements; and

(c) Planning.

15. Neighborhoods Based Non-Profits: Assistance to neighborhood-based nonprofit organizations, local development corporations, nonprofit organizations serving the development needs of the communities of nonentitlement areas, or entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the national objectives and assistance to neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of the neighborhood revitalization or other community development of shared housing opportunities (other than by construction of new facilities) in which elderly families (as defined in section 3(b)(3) of the United State Housing Act of 1937) benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing.

16. Development of Energy Strategies related to recipient's development goals, to assure that those goals are achieved with maximum energy efficiency, including items such as:

(i) An analysis of the manner in, and the extent to, which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvements, budgeting, waste management, district heating and cooling, and use planning and zoning, and traffic control, parking and public transportation function; and

(ii) A statement of the actions the recipient will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low and moderate income persons) to make energy conserving improvements to residential structures, and other proposed energy conservation activities.

17. Provisions of Assistance to Private, For-Profit Entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing business and jobs in the neighborhoods) that:
- (i) Creates or retains jobs for low and moderate income persons;
 - (ii) Prevents or eliminates slums and blight;
 - (iii) Meets urgent needs;
 - (iv) Creates or retains businesses owned by community residents;
 - (v) Assists businesses that provide goods or services needed by, and affordable to, low and moderate income residents;
 - (vi) Provides technical assistance to promote any of the activities under subparagraphs (i) through (v);
 - (vii) In any case in which an activity described in this paragraph (17) is provided assistance, such assistance shall not be limited to activities for which no other forms of assistance are available or could not be accomplished but for that assistance;
18. Section 17 Housing: The rehabilitation or development of housing assisted under Section 17 of the United States Housing Act of 1937.
19. Facilitate Substantial Reconstruction of Housing: Provision of assistance to facilitate substantial reconstruction of housing owner and occupied by low and moderate income persons:
- (i) Where the need for reconstruction was not determinable until after rehabilitation under this section had commenced, or
 - (ii) Where the reconstruction is part of the neighborhood rehabilitation effort and the grantee:
 - (a) Determines the housing not suitable for rehabilitation, and

- (b) Demonstrates to the satisfaction of HUD that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction.
- 20. Capacity Building for Non-Profits: Provisions of technical assistance to public or nonprofit entitles to increase the capacity of such entitles to carry out eligible neighborhood revitalization or economic development activities, which assistance shall not be considerate a planning cost as defined in paragraph (12) or administrative cost as defined in paragraph (13).
- 21. Housing Services, such as housing counseling, energy auditing, preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entitles, participating or seeking to participate in housing activities authorized under this section, or under Title II of the Cranston-Gonzalez National Affordable Housing, Act, except that activities under this paragraph shall be subject to any limitation on administrative expenses imposed by any law. (This will not be effective until a rule is issued.)
- 22. Institutions of Higher Education: Provision of assistance by recipients under this title to institutions of higher education having a demonstrated capacity to carry out eligible activities under this subsection for carrying out such activities.
- 23. Micro-Enterprises: Provision of assistance to public and private organizations, agencies, and other entities (including nonprofit and for-profit entitles) to enable such entitles to facilitate economic development:
 - (i) Providing credit (including providing direct loans and loan guarantees, establishing revolving loans funds, and facilitating peer lending programs) for the establishment, stabilization, and expansion of microenterprises;
 - (ii) Providing technical assistance, advice, and business support services (including assistance, advice and support relating to developing business plans, securing funding, conducting marketing, and otherwise engaging in microenterprise activities) to owners of microenterprises and persons developing microenterprises; and

- (iii) Providing general support (such as peer support programs and counseling) to owners of microenterprises and persons developing microenterprises.
 - (iv) Training, technical assistance, and other support service costs provided to small businesses or microenterprises or to grantees and subgrantees to develop the capacity to provide assistance shall not be considered a planning or administrative costs. Such costs shall, if not counted against the planning and administrative limitation, be subject to national objective requirements.
24. Habitability of Tax Foreclosure Housing: Activities necessary to make essential repairs and to pay operating expenses necessary to maintain the habitability of housing units acquired through tax foreclosure proceedings in order to prevent abandonment and deterioration of such housing in primarily low and moderate income neighborhoods.
25. Direct Home Ownership Assistance: Provision of direct assistance to facilitate and expand homeownership among persons of low and moderate income (except that such assistance shall not be considered a public service) by using such assistance to:
- (i) Subsidize interest rates and mortgage principal amount for low and moderate income homebuyers;
 - (ii) Finance the acquisition by low and moderate income homebuyers of housing that is occupied by the homebuyers;
 - (iii) Acquire guarantees for mortgage financing obtained by low and moderate income homebuyers from private lenders (except that amounts received under this title may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this title may not directly provide such guarantees);
 - (iv) Provide up to 50 percent of any downpayment required from low or moderate income homebuyers; or
 - (v) Pay reasonable closing costs (normally associated with the purchase of a home) incurred by a low or moderate income homebuyer.

B. Ineligible Activities

1. General Rule: The general rule is that any activities not authorized under the provision of the Housing and Community Development Act of 1974 as amended (through October 28, 1992) are ineligible.

Maximum Feasible Deference: The State's Small Cities rule at 24 CFR 570.480 gives maximum feasible deference to the state's interpretation of the statutory and regulatory requirements, provided that the interpretations are not plainly inconsistent with the Act, and the intent of Congress.

